

Message Text

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ACTION ARA-10

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LIMITED OFFICIAL USE GEORGETOWN 0282

E.O. 11652: N/A

TAGS: EINV, GY

SUBJECT: BURNHAM ANNOUNCES NATIONALIZATION OF DEMERARA COMPANY

REF: GEORGETOWN 2111 OF 11/27/74

BEGIN UNCLASSIFIED

1. PM BURNHAM USED THE OCCASION OF GUYANA'S FIFTH ANNIVERSARY AS A REPUBLIC (2/23) TO DRAMATICALLY ANNOUNCE THAT THE BRITISH (JESSEL)-OWNED DEMERARA COMPANY WOULD BE NATIONALIZED IN 1975. THIS FOLLOWS FROM JESSEL INITIATIVE (REFTEL) TO SELL HOLDINGS IN GUYANA. DEMERARA COMPANY PRODUCES ABOUT FIFTEEN PERCENT OF GUYANA'S SUGAR AND IS CURRENTLY OPERATING UNDER CAPACITY. IN ADDITION TO DIRECT OWNERSHIP OF TWO SUGAR ESTATES AND LARGE SUGAR FACTORY, GOG WILL GAIN A DISTILLERY WHICH SERVES COUNTRY' LARGEST RUM MANUFACTURER (BANKS DIH), AND A WHARFAGE FACILITY, AS WELL AS SEVERAL RETAIL SHOPS.
END UNCLASSIFIED.

2. COMMENT: AMONG THE MORE SERIOUS IMPLICATIONS OF GOG PLANNED
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OWNERSHIP OF THE DEMERARA COMPANY ARE FUTURE EFFECTS ON BOOKERS

SUGAR ESTATES AND FACTORIES, AND ON OTHER PRIVATE COMPANIES WHICH HAVE WHARFAGE INTERESTS ON GEORGETOWN'S WATERFRONT. THERE IS LITTLE DOUBT THAT BOOKERS WILL BE FORCED BY GOG TO RENDER ADMINISTRATIVE AND TECHNICAL ASSISTANCE TO THE ATIONALIZED SUGAR OPERATION IF NOT DIRECT MANAGEMENT OF THE ESTATES. BOOKERS ALREADY HANDLES MARKETING OF DEMERARA CO. SUGAR. BOOKES OFFICIALS AND LOCAL MANAGER OF DEMERARA COMAPNY STATE THEY WERE NOT RPT NOT BRIEFED BEFOREHAND BY BURNHAM OR BY ANYONE ELSE ON TIMING OF ANNOUNCEMENT. STILL, THE MOVE COULD HARDLY COME AS COMPLETE SURPRISE TO THOSE IN SUGAR INDUSTRY WHO HAVE LONG BEEN AWARE OF JESSEL'S FINANCIAL PROBLEMS AND GOG ATTITUDE TOWARD SALE OF LOCAL ASSETS TO OTHER THAN GUYANESE, I.E; GOG ENTITY. GOG ALSO HAS SOME JUSTIFICATION FOR ALLEGATION THAT DEMERARA CO. HAS DRAGGED ITS FEET ON SUGAR INVESTMENT. IN 1974, FOR EXAMPLE, ITS TWO ESTATES PRODUCED LESS SUGAR THAN IN PREVIOUS YEAR, WHILE ALL BOOKERS ESTATES (12) REGISTERED MARKED INCREASES. WHETHER DEMERARA CO. POOR PERFORMANCE RESULTS FROM INTENTIONAL NEGLECT OR BAD MANAGEMENT, JESSEL WILL BE IN WEAK POSITION WHEN COMPENSATION BARGAINING BEGINS.

KREBS

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